

DEPARTMENT OF COMMERCE

An Agency Profile Prepared by the
Legislative Fiscal Division

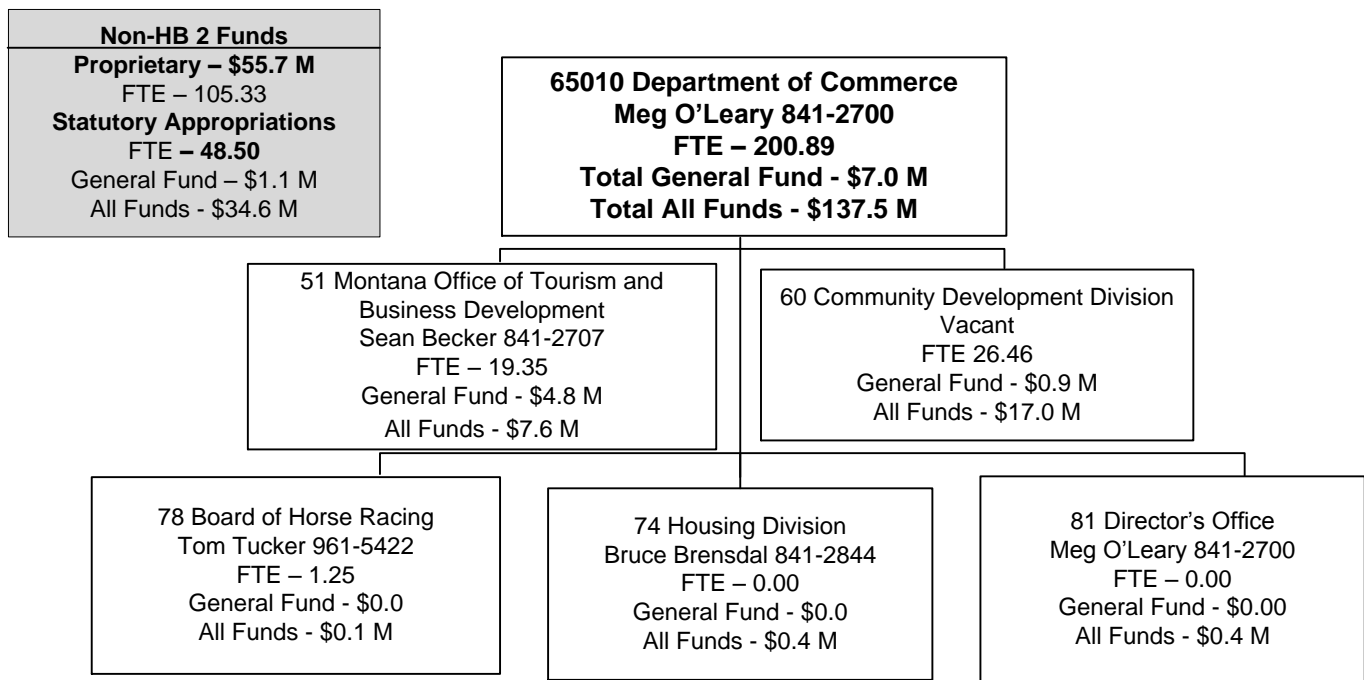
November, 2016



INTRODUCTION

The Department of Commerce (DOC) works with economic and community development organizations, businesses, communities, governmental entities, tribal governments, elected officials, and the public to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of Montana's infrastructure, housing, and facilities.

Below is an organizational chart of the department, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and total expenditures from all funds.



HOW SERVICES ARE PROVIDED

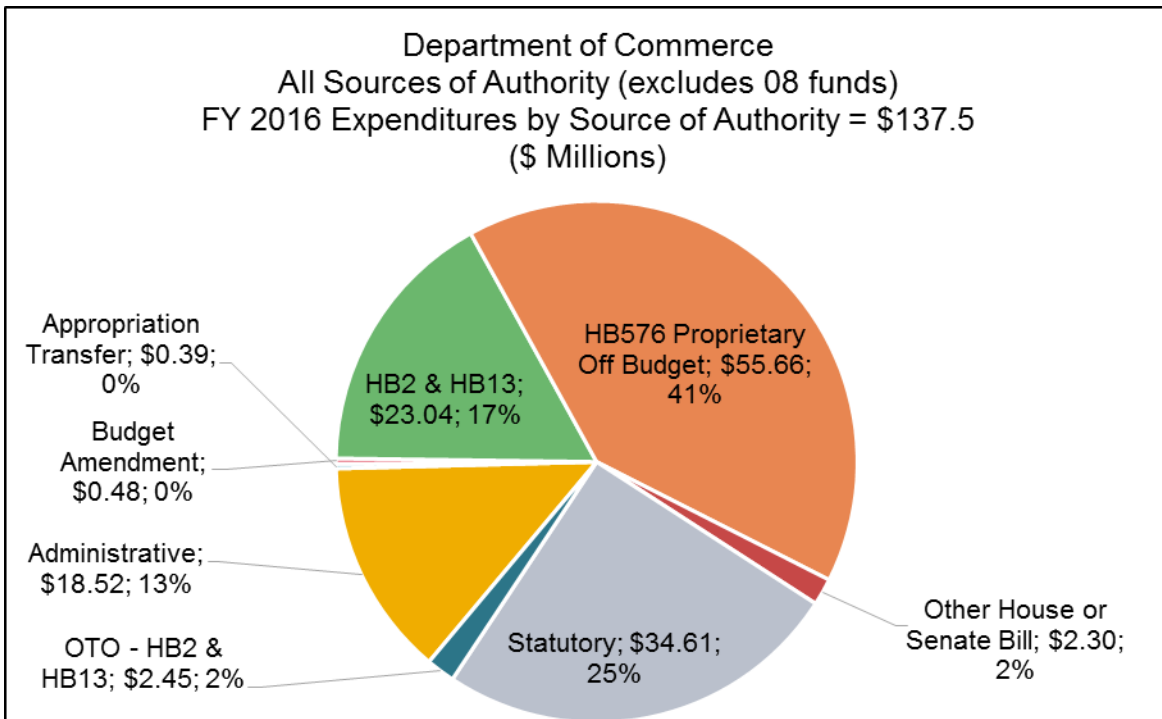
The Department of Commerce provides these services through a structure consisting of eight divisions with the following functions:

- Montana Office of Tourism and Business Development
 - Provides businesses with technical assistance through the Small Business Development Center and trade and international relations
 - Provides economic and demographic analysis, maps, and data through the Census and Economic Information Center
 - Provides economic development assistance to Montana's tribes through the State Tribal Economic Development Commission
 - Provides research for commercialization of businesses in Montana using the Board of Research and Commercialization
 - Markets and promotes Montana tourism and film industries
- Community Development Division
 - Awards Community Development Block Grants (CDBG), which are federal funds, to local governments for community development, housing, and public facility projects
 - Awards state funded grants in the Treasure State Endowment Program (TSEP) to local governments, water and sewer districts, and tribes' for planning and constructing infrastructure projects; grants are awarded by the Legislature

- Awards state funded grants in the Quality Schools Grant Program to K-12 public school districts for school facility projects, planning, and emergency grants; grants are awarded by the Legislature
- Awards state funded grants to local governments, tribes, school districts, and special districts to remediate effects of coal mining on communities in designated coal development areas
- Provides technical assistance, analysis, mitigation, and mediation services to local governments and hard rock mining developers where potentially adverse public fiscal impacts from largescale development are identified
- Provides state funded grants and technical assistance to non-profit organizations and local governments for downtown revitalization and historic preservation
- Awards federal funded block grants in the HOME program to create affordable housing for low-income households
- Provides technical assistance in land use and planning to local governments and the public and private sector for the purposes of aiding and encouraging orderly, productive, and coordinated development of the communities of the state (Community Technical Assistance Program)
- Facilities Finance Authority
 - Assists non-profit healthcare and human service facilities, and pre-release centers acquire low-interest and low-cost capital financing
- Housing Division
 - Supports safe and affordable housing in communities throughout Montana through rental assistance, construction financing, rehabilitation financing, and low interest mortgages
- Board of Investments
 - Invests essentially all of State of Montana funds including daily cash amounts, trust funds, and pension monies
 - Provides short term investment alternatives to local governments
 - Administers loan programs that support Montana businesses and municipalities
- Board of Horse Racing
 - Monitors and regulates the horse racing industry in Montana
- Heritage Preservation and Development Commission
 - Manages and preserves historic cultural properties and artifacts for the State of Montana, notably the Virginia City and Nevada City holdings, and Reeder's Alley in Helena
- Director's Office
 - Provides overall leadership, communication, and management support to agency staff, programs, bureaus, divisions, and administratively attached boards
 - Maintains a federally funded contract with the Montana Council on Developmental Disabilities

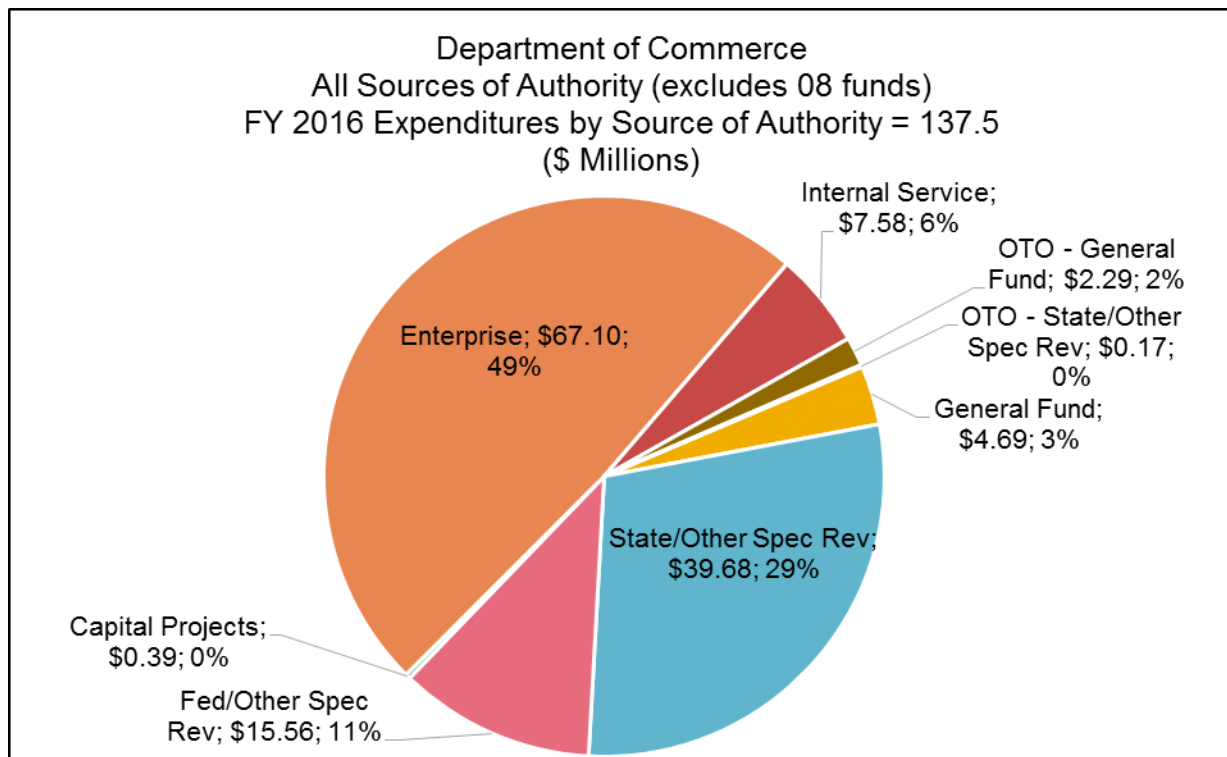
SOURCES OF SPENDING AUTHORITY

The chart below shows the sources of authority for the Department of Commerce that were expended in FY 2016. The operations of DOC are primarily funded through a combination of proprietary, statutory, and HB 2 appropriations.

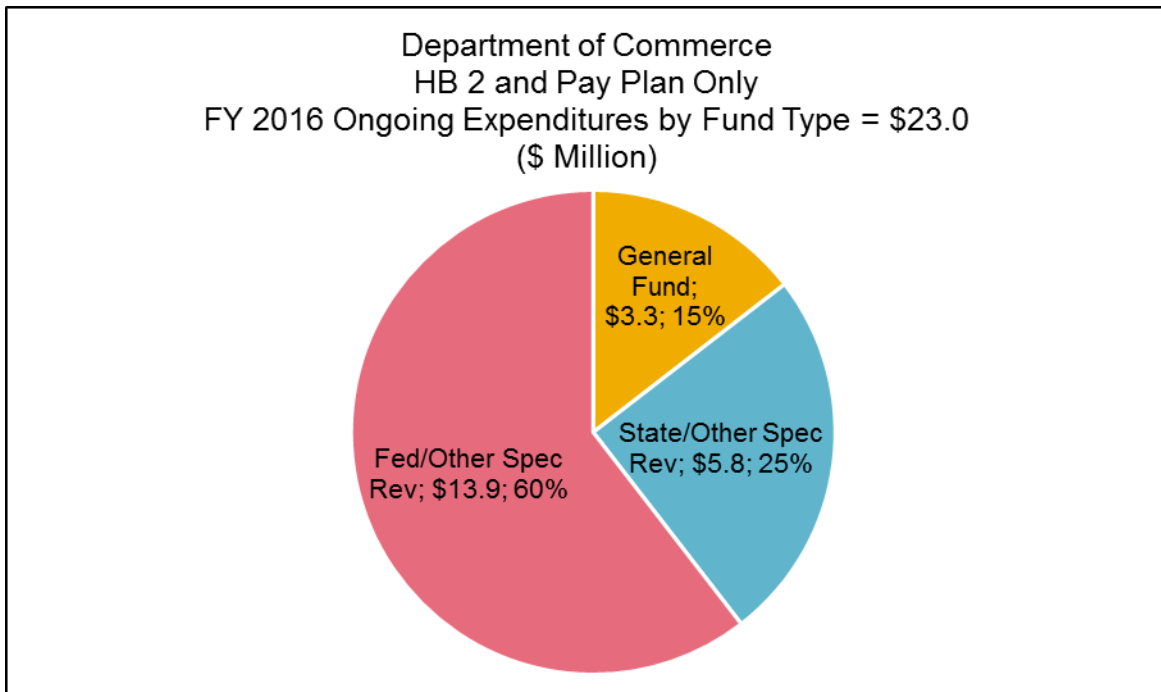


FUNDING

The Department of Commerce is predominately funded with enterprise funds, state special revenue and federal special revenue. The chart below shows FY 2016 actual expenditures by fund type for all sources of authority.

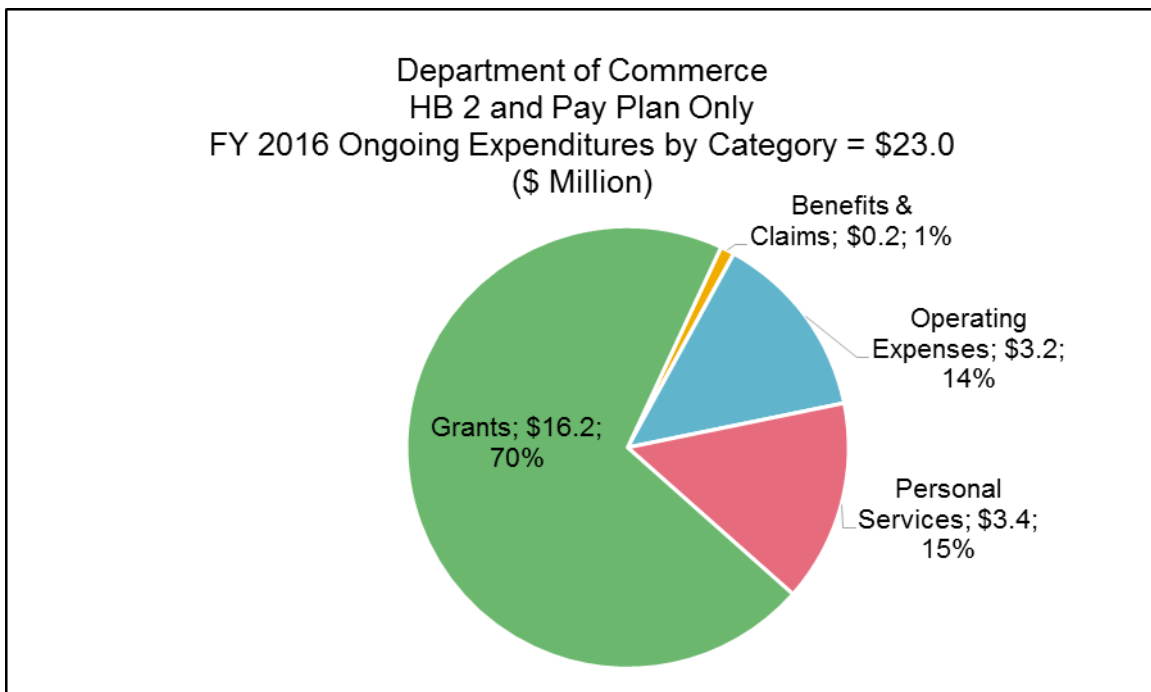


The chart below shows the Department of Commerce's HB 2 and pay plan expenditures by fund type.



EXPENDITURES

The chart below explains how HB 2 and pay plan authority was spent.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

In order to change expenditure levels and/or activity, the legislature might address laws regarding:

- Grant and loan/financing program priorities – changes to the funding priorities have an impact on overall expenditures. Such changes may include defining eligibility criteria, ranking criteria, identifying specific types of projects that are preferred and setting minimum or maximum amounts for grants and loans.
- Economic development objectives – defining specific economic development goals that provide the agency with overall policy direction and guidance for measureable achievements.
- Diversification and expansion of economic base - examining existing legislation or creating new legislation to achieve the greatest return for the public investment.
- Infrastructure development priorities – changes to the funding priorities have an impact on overall expenditures. Such changes may include defining eligibility criteria, ranking criteria, identifying specific types of projects that are preferred, and setting minimum or maximum amounts for grants and loans

MAJOR COST DRIVERS

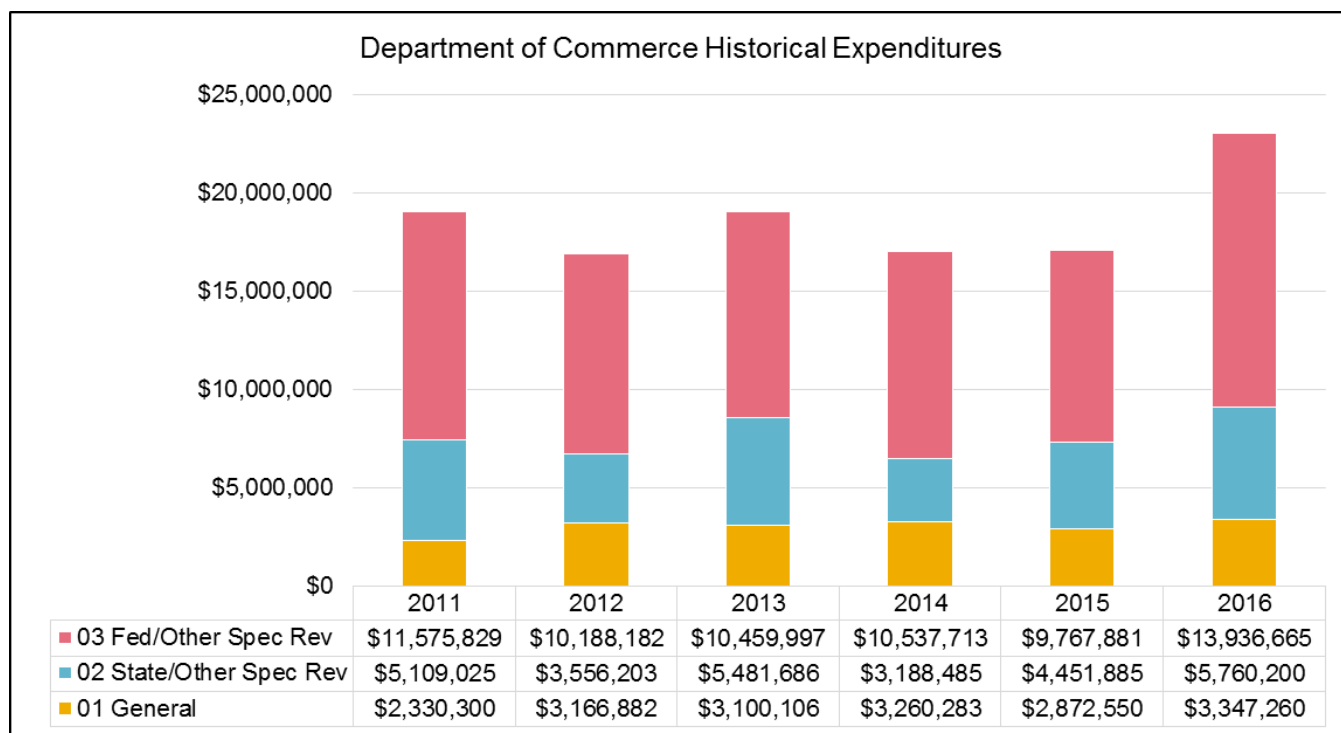
Activity for the Department of Commerce varies depending upon:

- Financing costs for investments for Montana
- Housing market
- Level of coal mined that generates funding for projects
- Recreational and tourism activities

Element	FY 2014	FY 2016	Significance of Data
Research and Commercialization funding	\$332 million	\$365 million	Cumulative level of follow-on-funding generated by projects
Primary Sector Workforce Training	\$0.705 million	\$1.223 million	Awards provided to Montana businesses
Indian Country Economic Development (ICED)	238 Indian Entrepreneur attendees 13 businesses creating/retaining 20 jobs in Indian Equity Fund 31 private small businesses supported via tribal government pass-through; 32 jobs created/trained/retained via tribal government enterprise	137 unique individuals assisted through Native American Business Advisors (formerly Indian Entrepreneur) 26 businesses funded creating/retaining 55 jobs in Indian Equity Fund 8 tribal business enterprises assisted with strategic business planning via Tribal Business Planning Grant	Jobs created/retained/trained
Number of Nonresident Visitors	11.02 million - CY 2013	11.73 million - CY 2015	Impacts of tourism promotion
Amount of Out-of-State Tourism Dollars	\$3.62 billion - CY 2013	\$3.66 billion - CY 2015	Impacts of tourism promotion
Number of CDBG Public Facilities and Housing Grants Awarded	11	9	Fluctuations in federal funding
Amount of Single Family Mortgages (HD)	\$80.00 million	\$80.00 million	Impacts of recession on housing market
Amount of Section 8 Rental Assistance	\$34.0 million	\$40.0 million	Low-income assistance provided
Amount of Section 8 Housing Customers	7,100	7,800	Impacts of recession on allocations
Total Assets Invested by the Board of Investments	\$13.9 billion	\$14.7 billion	Level of the fiduciary responsibility of the board (book value)

FUNDING/EXPENDITURE HISTORY

The following table shows historical changes in DOC's funding and expenditures. Increases in Community Development Block Grants and HOME grants account for the increase in federal special revenue expenditures in FY 2016.



MAJOR LEGISLATIVE CHANGES IN THE LAST TEN YEARS

Major changes in the last ten years include:

- 2015 Legislature
 - The Legislature approved increasing the amount of funding available from the permanent coal tax trust fund for the Montana Veteran's Loan Program by \$10.0 million, from the current amount of \$30.0 million to \$40.0 million. Statute authorized the Board of Housing to take the loan servicing fees and administrative charges from the interest paid by the borrower. The fiscal note for the bill estimates that the 2017 biennium cost of the program will be \$50,000.
- 2009 Legislature
 - The Legislature created the Quality Schools Facility Grant Program, provided an account for future funding, required the deposit of specific revenues in to the account, created an initial appropriation of \$12.0 million over the 2011 biennium, and created a statutory appropriation of \$1.0 million annually for school technology specific purposes.
 - The Legislature reallocated 2.9% of coal severance tax revenue from the general fund to the oil, gas, and coal natural resources account. This change doubled the previous allocation for a period of four years beginning in FY 2010 and continuing through FY 2013.
 - The 2009 Legislature created the Distressed Wood Products Industry Revolving Loan Program and a statutory appropriation to the department for the purposes described in the bill.
- 2007 Legislature
 - The Legislature indefinitely extended the allocation of lodging facility use tax (bed tax) to the Montana heritage preservation and development account for the benefit of supporting

facilities and programs at Virginia City and Nevada City. Each year, \$400,000 of this tax is allocated to the Montana heritage preservation and development account. The Legislature also included funding of \$2.0 million from the long-range building fund for preservation and improvements at Virginia City and Nevada City and \$0.5 million from the general fund for the Cowboy Hall of Fame.

- The Legislature revised the amount of workforce training funding from the Big Sky Trust Economic Development program for each expected job from \$5,000 to \$7,500 for high poverty counties. The bill also allows more advantageous match requirements for loans and grants under the program for high poverty areas.
 - The Legislature increased the allocation of coal severance tax trust funds available for value-added and infrastructure loans made pursuant to 17-6-309(2), to enhance economic development and create jobs in the basic sector of the economy. The total allocation for infrastructure loans increased from \$50 million to \$80 million and the total allocation for value-added loans increased from \$50 million to \$70 million.
- 2005 Legislature
 - The Legislature transferred the New Worker Training Program from the Governor's Office of Economic Opportunity to the Department of Commerce and revised the programs funding mechanism. The legislature approved the transfer of 2.00 FTE and appropriated \$2.8 million of one-time-only (OTO) state general fund over the 2007 biennium in HB 2 for the New Worker Training Program.
 - The Legislature established the big sky economic development fund, a sub-fund within the permanent coal severance tax trust with an initial infusion of \$20 million.
 - The Legislature established the Big Sky on the Big Screen Act. HB 584 requires production companies to apply to the Department of Commerce for state certification of a production in order to qualify for the tax credits enumerated in the bill. The application fees established in the bill are deposited in a state special revenue account and statutorily appropriated in an equal amount to the Department of Commerce and the Department of Revenue.
 - 2003 Legislature
 - The Legislature established the Primary Sector Business Workforce Training Act. HB 564 provided for a seven member loan review committee to make grants to qualifying primary sector businesses to pay for employee education and training by eligible service providers and provided funding for workforce training.

For more information on the agency, please visit their website, here: <http://commerce.mt.gov/>.